



Galliard Capital Management
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January 10, 2011

Ms. Shelly Schueller
Wisconsin Department of Employee Trust Funds
Via email

RE: Equity wash provisions for stable value options

Dear Shelly:

Book value contract providers to your stable value fund require certain transfer limitations to be established, in the event the plan has what are deemed "competing funds" in the investment line-up. The transfer limitation, commonly known as a "90 day equity wash", means that if a participant wants to transfer assets from the stable value fund to a competing fund, they must first transfer it to a non-competing fund for 90 days. Book value contract providers require this transfer restriction in order to help manage unexpected interest rate arbitrage during times of rapidly rising short term interest rates. This provision also helps to protect stable value fund holders who remain in the fund (it helps to limit the amount of sales of the underlying portfolio that may need to be done in an adverse [rising interest rate] bond vironment).

The definition of a "competing option" is currently 1) a high quality fixed income option with a duration of 3 years or less; 2) a blended option (i.e. target date, asset allocation, lifestyle fund, etc.) that has an allocation of 70% or more to a high quality fixed income option with a duration of 3 years or less; and 3) a self directed brokerage option. The self directed brokerage option is included because participants have the ability to potentially invest in a competing fund through that window. The definition of a competing is subject to change. In the event the definition evolves we will work with you to make sure you are aware of the changes.

Thank you for your help in implementing the equity wash for the self directed brokerage option. If I can answer any questions, please let me know.

Sincerely,

Mike Norman
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Board	Mtg Date	Item #
DCIC	02.10.11	1